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2011 BUSINESS PLAN AND BUDGET

The Environmental Services Committee recommends:

- 1. Receipt of the presentation by Erin Mahoney, Commissioner of Environmental Services;**
- 2. Receipt of the report dated January 24, from the Commissioner of Finance; and**
- 3. Forwarding the Committee's recommended approval of the Environmental Services Department's draft 2011 Capital and Operating Business Plan and Budgets for Water Services, Wastewater Services and Solid Waste Management to the Commissioner of Finance and Treasurer for consolidation into a report to the Finance and Administration Committee meeting on March 3, 2011.**

1. RECOMMENDATIONS

It is recommended that:

1. The Environmental Services Committee consider and approve the draft 2011 Capital and Operating Business Plans and Budgets for Water Services, Wastewater Services and Solid Waste Management as submitted.
2. The Committee's recommendations be forwarded to the Commissioner of Finance for consolidation into a report to the Finance and Administration Committee meeting on March 3, 2011.

2. PURPOSE

This report provides a summary of the 2011 Capital and Operating Business Plans and Budgets for Water & Wastewater Services and Solid Waste Management for consideration and recommendation to Finance and Administration Committee and adoption by Regional Council on March 24, 2011.

3. BACKGROUND

The 2011 Business Plan and Budget was tabled on January 27, 2011

The consolidated 2011 Capital and Operating Business Plan and Budget was tabled with Regional Council on January 27, 2011. It was received and referred to Standing Committees for their consideration and recommendation.

The Committee's recommendations on the Capital and Operating Business Plans and Budgets will form part of a comprehensive report to Finance and Administration Committee meeting of March 3, 2011. The Finance and Administration Committee's recommendations will then be submitted to Regional Council with final budget approval scheduled for March 24, 2011.

4. ANALYSIS AND OPTIONS

Capital Business Plans and Budgets

Multi-year commitments for capital projects are approved as part of the budget process

The capital budget includes projects for new infrastructure, replacement or rehabilitation in support of growth and development within York Region.

The budget process focuses on approval at the project level. The 2011 request includes increases over the approved 2010 Total Project Budget Authority, along with any new projects introduced in 2011 that require a commitment to expenditures in 2011 and in future years.

Additional Total Project Budget Authority (TPBA) of \$475.7 million is requested for Environmental Services

Tables 1 below lists all budget amounts for which additional Total Project Budget Authority is being requested for 2011. These tables include a list of branches, their 10-year budget spending authority and associated financing sources. In addition, page references to the Capital Business Plan & Budget document are noted.

Table 1
2011 New Total Project Budget Authority (TPBA)

	Page No.	2011 & outyears (\$000s)
Water Services:		
New TPBA - Gross Capital Expenditures	200-204	243,373
Financing Sources:		
Reserves	219-222	7,183
Debentures	219-222	208,877
Development Charges	219-222	22,840
User Rates	219-222	3,936
Other	219-222	537
Total Water Services	219-222	243,373
Wastewater Services:		
New TPBA - Gross Capital Expenditures	254-256	228,754
Financing Sources:		
Reserves	267-269	10,480
Debentures	267-269	159,572
Development Charges	267-269	15,512
User Rates	267-269	15,236
Other	267-269	27,954
Total Wastewater Services	267-269	228,754
Solid Waste Management:		
New TPBA - Gross Capital Expenditures	297-298	3,568
Financing Sources:		
Reserves	302	2,913
Debentures	302	655
Total Solid Waste Management	302	3,568

Operating Business Plans and Budgets

Environmental Services proposed budget includes \$391.9 million in gross operating expenditures and \$39.7 million in net operating expenditures

The 2011 Operating Business Plans and Budgets include the cost of providing base service, mandatory or legislated requirements, and those in support of growth and or service enhancements to York Region.

The operating budgets for the noted departments are found in the 2011 Operating Business Plan and Budget document as outlined in Table 3 below.

Table 2
2011 Operating Budget

Department	Page No.	2011 Gross Operating Expenditures (incl. Contribution to Capital) (\$000s)	2011 Net Tax Levy (incl. Contribution to Capital) (\$000s)
Water & Wastewater Services ^{1,2}	115	334,864	0
Solid Waste Management	150	57,011	39,706

¹ Water & Wastewater Operating expenditures (including Corporate Allocations) are recovered from User Rates

² A portion of the Water & Wastewater operating expenditures fund Conservation Authorities

5. FINANCIAL IMPLICATIONS

The proposed 2011 Total Project Budget Authority for Environmental Services noted in Table 1 reflects additional commitment of \$475.695 million in 2011 and future years. Expenditures not identified for consideration but contained within the ten year capital plan are provided for planning purposes and will be formally approved in subsequent years.

The above noted operating budgets in Table 3 total \$39.706 million or 5.2% of the Region's total 2011 proposed net operating budget.

As per Council's approval in December, 2008, a 10% rate increase for water and wastewater has been included in the 2011 budget. This rate increase reflects additional costs for non-growth capital as well as rehabilitation and replacement needs.

6. LOCAL MUNICIPAL IMPACT

The Region provides essential services to the residents and businesses in York Region. The challenge of meeting growing demands for service and improving service delivery is addressed through the Region's business planning process. The review of resource needs and ongoing search for options to address and mitigate budget pressures are important elements in the budget process.

7. CONCLUSION

This report sets out the proposed 2011 Capital and Operating Business Plans and Budgets for Water & Wastewater Services and Solid Waste Management, as summarized in Tables 1 and 2 above. To facilitate the completion of the budget process, it is recommended that the Committee's recommendations be forwarded to the March 3, 2011 Finance and Administration Committee for consolidation and recommendation to Regional Council on March 24, 2011.

For more information on this report, please contact Kelly Strueby, Director Business Planning and Budgets at Ext. 1611.

2011 Business Plan and Budget

Presentation to Environmental
Services Committee

Erin Mahoney
February 9, 2011

Agenda

- ❑ Environmental Services Overview
- ❑ Water & Wastewater Budget
- ❑ Waste Management Budget
- ❑ Recommendations and Next Steps

Environmental Services

Core Service Delivery Responsibilities

- ❑ Providing drinking water, wastewater and waste management services to over one million residents
- ❑ Managing 350,000 tonnes of solid waste per year
- ❑ Managing over \$2.6B in existing capital infrastructure
- ❑ Complying with complex Provincial acts and regulations
- ❑ Driving ambitious \$3.8B 10 year capital program
- ❑ Implementing a focused asset management approach for infrastructure renewal supported by multi-year business plan
- ❑ Growing our influential educational and advocacy programs



Environmental Services continues to implement York Region's infrastructure needs while ensuring environmental protection and sustainability into the future



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Environmental Services Strategic Directions

Realizing Operational Excellence Today

Comply with regulatory frameworks
Drive predictable & consistent environmental and financial performance through regulatory, weather and economic diversity
Realizing operating efficiencies through automation, economies of scale and cost control

Investing for Growth Tomorrow

Efficiently build water, wastewater and waste management capital
Prudently grow asset base to support approved growth
Leverage technology to drive efficiencies
Advanced procurement and project delivery methods

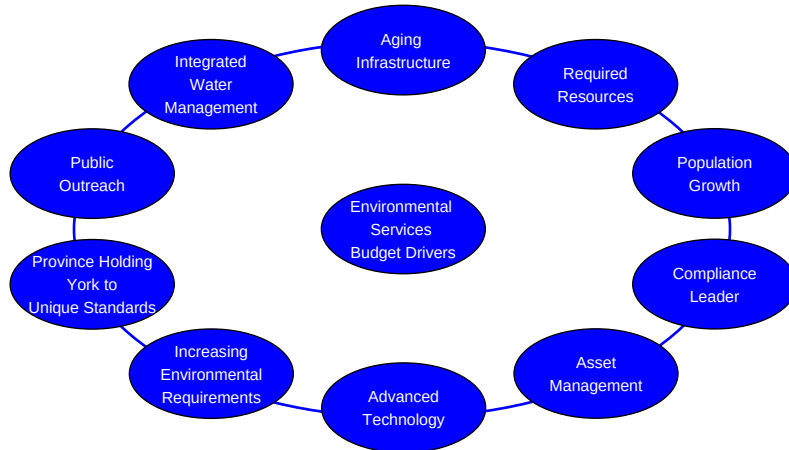
Prudent investments in asset footprint supports long-term growth and operational excellence



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Addressing Budget Drivers ensures reliable Environmental Services to meet today's needs and future regulation



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Environmental Services Service Volume Indicators

	2005	2010	% Chg
Actual Gross Cost of Capital Delivery	\$265.1M	\$504.8M	90.4%
Budgeted 10 Year Capital Plan	\$1.54B	\$3.8B	143.5%
Number of facilities managed	106	131	23.6%
Kilometres of Water and Sewer Mains Maintained	400 km	592 km	48.0%
Built Assets	\$1.20B	\$1.95B	62.5%
WDO Diversion Rate	33%	51%	54.5%



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Water & Wastewater Budget



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Water & Wastewater - Key Objectives

- ❑ Provide clean and safe drinking water
- ❑ Support population and employment growth
- ❑ Proactively manage assets
- ❑ Return high quality effluent to the environment
- ❑ Minimize risk through accreditation to Drinking Water Quality Management Standards (DWQMS) and compliance with Acts and Regulations



Water and Wastewater service delivery supports both growth needs and operational excellence



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Water & Wastewater - Overview

- ❑ Complex water system includes 2 treatment plants, 39 wells, 40 storage facilities and 312 kilometres of watermain
- ❑ Wastewater system includes the York Durham Sewage System (YDSS), 7 wastewater treatment plants and 280 kilometres of sewer
- ❑ Inter-Municipal agreements with Toronto, Peel and Durham
- ❑ Enhanced treatment technology to meet new regulatory needs - membranes planned for Lake Simcoe wastewater plants



Delivering sustainable services for a growing region



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2010 Key Accomplishments

- ❑ 100% score on Ministry of Environment water facility inspections
- ❑ 99.97% score on drinking water samples meeting the Ontario Drinking Water Standard
- ❑ Zero Non-Compliances on Ministry of Environment wastewater facility inspections
- ❑ 100% of our licensed operators met the regulatory training requirements



York ranks first amongst GTA municipalities based on 2008 - 2009
Chief Drinking Water Inspector's Annual Report



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2010 Key Accomplishments (cont'd)

- ❑ Commissioned Duffin Creek Stage 3 Liquids Treatment Expansion
- ❑ Received Southeast Collector Individual Environmental Assessment Approval
- ❑ Council approved Drinking Water Financial Plan
- ❑ Achieved full accreditation under Drinking Water Quality Management Standards
- ❑ Obtained approval for Intra-Basin Transfer



Successful approval of first ever Individual Environmental Assessment for a sewer project



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Planned Initiatives for 2011 & 2012

Driving Operational Excellence

- ❑ Deliver required operating resources for new capital facilities and regulatory requirements
- ❑ Finalize department wide Business Continuity Plan
- ❑ Complete Sludge Haulage process review
- ❑ Drive Energy Management Program



Supporting Mandated Growth

- ❑ Duffin Creek Stage 3 Expansion (Solids)
- ❑ Start construction on Southeast Collector
- ❑ Peel and Toronto Cost Shared Works
- ❑ Upper York Sewage Solutions Individual Environmental Assessment



Continuing to drive operational excellence while delivering infrastructure to support mandated growth



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Planned Initiatives for 2011 & 2012 (cont'd)

Proactively Manage over \$2.6 Billion in Assets

- ❑ Implement enhanced Inflow & Infiltration and Long-term Water Conservation Strategies
- ❑ Update Sewer Use By-law to focus on proactively preserving our infrastructure assets



Meeting Legislative Requirements

- ❑ Duffin Creek Stage 1 & 2 upgrades
- ❑ Conditions of Southeast Collector Approval
- ❑ Achieving operator training requirements
- ❑ Continued review and reporting in accordance with Drinking Water Quality Management System
- ❑ Conditions on Intra-basin Transfer approval



2011 budget request ensures we are on track to deliver on Provincial conditions of approval



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Business Challenges

- ❑ Operating and maintaining a more complex asset base due to growth of capital infrastructure
- ❑ Additional resources required to maintain compliance with regulations, York Region ISO programs and the Drinking Water Quality Management Standard
- ❑ Increased pressure on rates and reserves
- ❑ Maintaining current levels of service
- ❑ Delivering on over 115 active capital projects in 2011



Increasing regulatory requirements drive higher costs to deliver water and wastewater services



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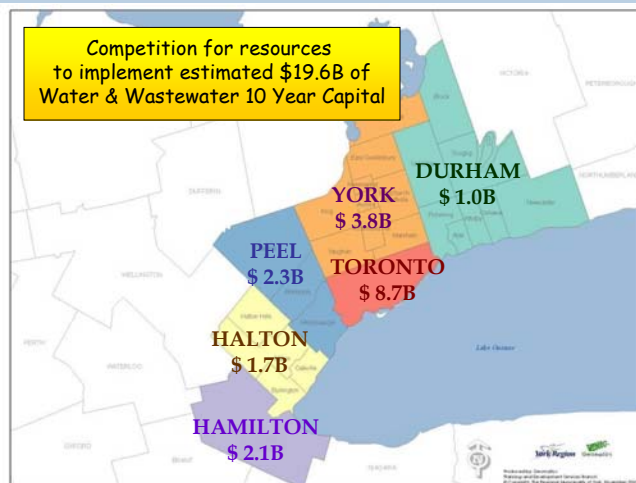
Water & Wastewater Capital Budget



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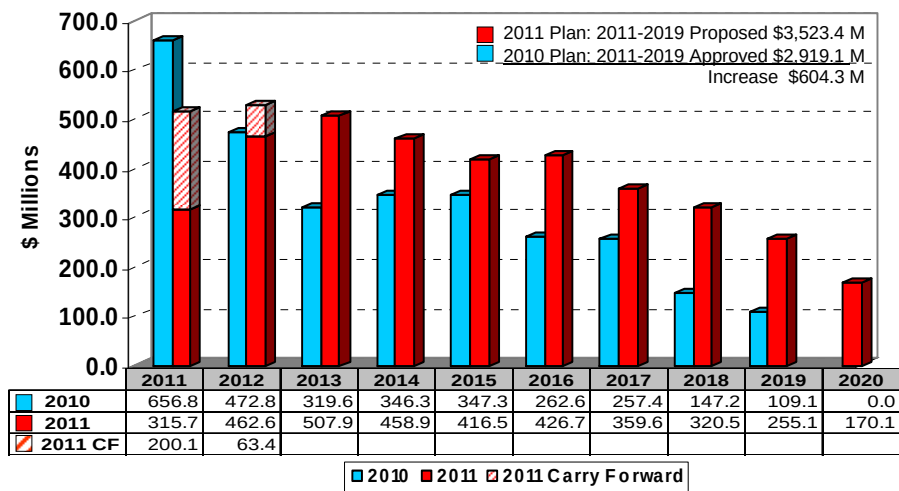
10 Year Water & Wastewater Capital Programs in GTAH - 2010



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2010 Plan vs 2011 Plan Water & Wastewater

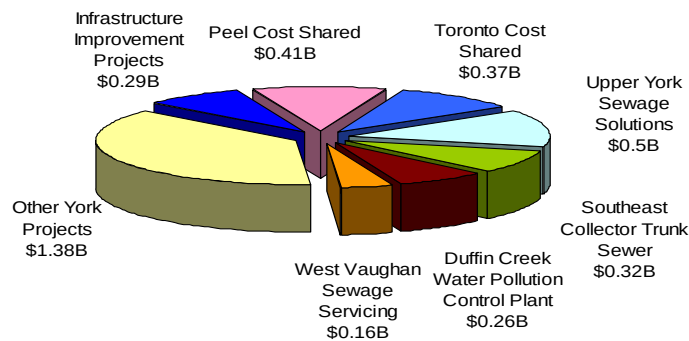


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2011- 2020 Capital Plan Water & Wastewater

2011 – 2020 Capital Plan \$3.69B



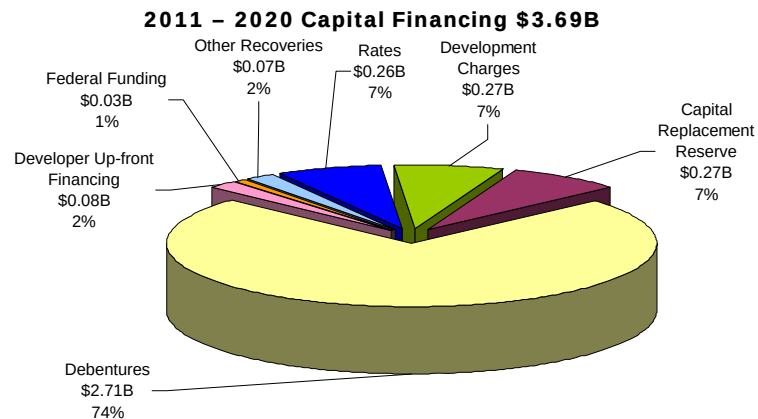
86% of 10 year plan is driven by growth projects



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2011 – 2020 Capital Financing Water & Wastewater



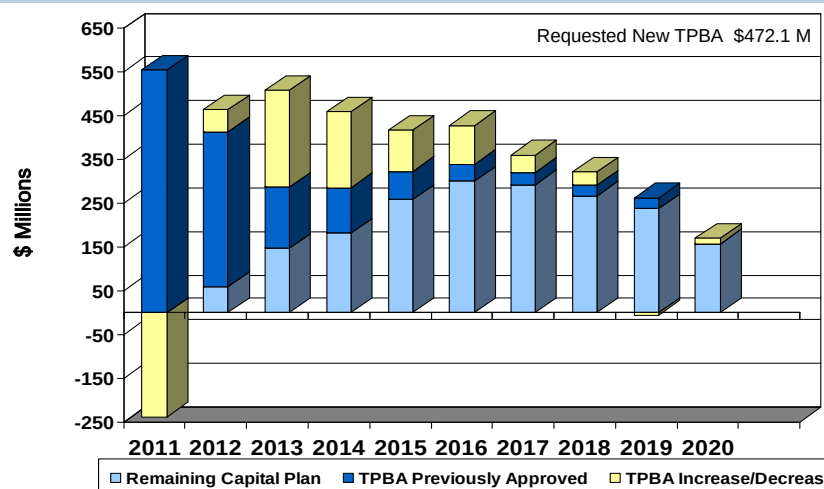
97% of debentures are recoverable through development charges



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2011-2020 Capital Plan and Total Project Budget Authority – Water & Wastewater



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Water & Wastewater Operating Budget

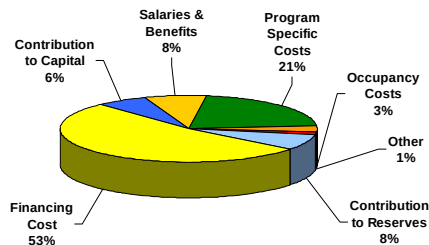


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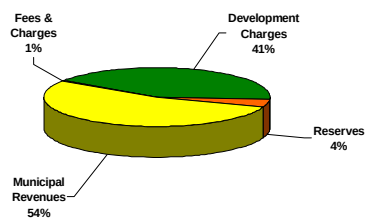
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2011 Budget Overview Water & Wastewater Operating

**2011
GROSS EXPENDITURES
\$339.9 Million**



**2011
GROSS REVENUES
\$339.9 Million**



Staffing costs represent only 8% of operating expenditures



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2011/2012 Gross Operating Budget Pressures – Water & Wastewater

	2011		2012	
	Amount	% Change	Amount	% Change
2010/2011 Gross Operating Budget (Excluding Interdepartmental & Contribution to Capital)	\$273.0 M		\$309.4 M	
Enhancements	\$0.0 M	0.0%	\$0.0 M	0.0%
Growth	\$4.6 M	1.7%	\$2.3 M	0.8%
Annualization	\$25.6 M	9.4%	\$34.5 M	11.2%
Mandatory/Legislative	\$0.8 M	0.3%	\$0.6 M	0.2%
Reductions/Efficiencies	(\$0.5) M	(0.2%)	(\$0.1) M	(0.0%)
Base	\$6.0 M	2.2%	\$4.8 M	1.5%
	\$309.4 M	13.3%	\$351.5 M	13.6%

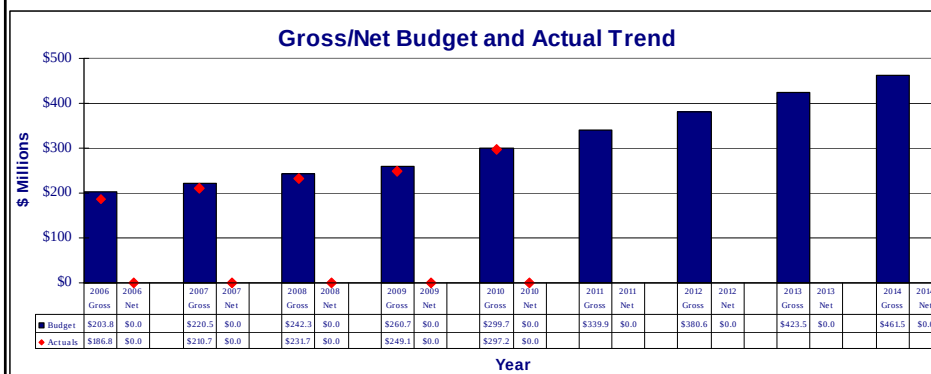
Capital financing costs represent 70% of the 2011 increase in operating expenditures



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Water & Wastewater Operating Budget Trend



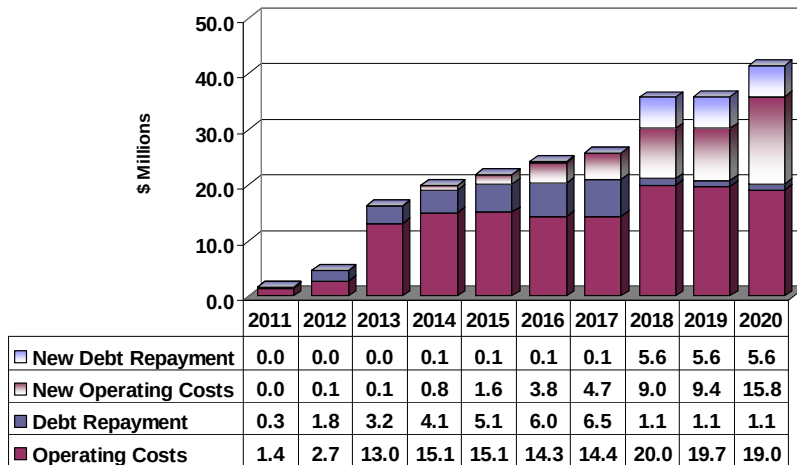
Operating Budget increase to 2014 driven by financing cost of capital to service growth



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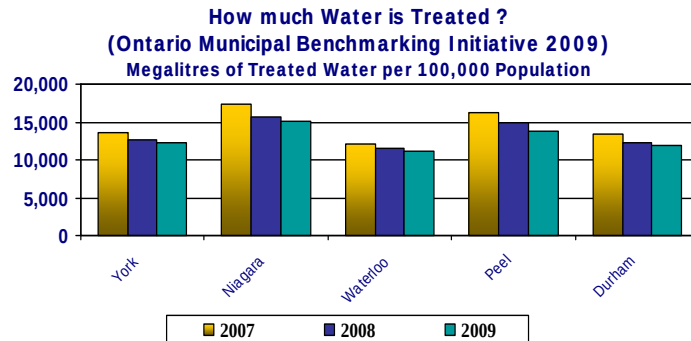
Net Operating Impact of Capital – User Rate



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Benchmarks with other Municipalities Water Operating



York is amongst the lowest per capita usage due to successful water conservation program

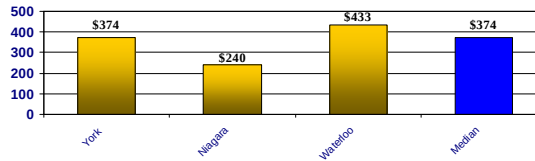


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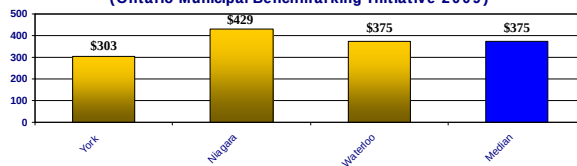
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Benchmarks with other Municipalities Water & Wastewater Operating

Cost of Treating a megalitre of Drinking Water
(Ontario Municipal Benchmarking Initiative 2009)



Cost of Wastewater Treatment and Disposal per Megalitre
(Ontario Municipal Benchmarking Initiative 2009)



York is at or below the median in respect to the cost of treating both water and wastewater



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2011 Water & Wastewater New FTE's

Position	FTE's	Gross (000's)	Net (000's)
Capital Planning and Delivery	3.0	\$352.1	\$0.0
Strategy and Business Planning	2.0	\$85.6	\$85.6
Operations and Maintenance	7.0	\$657.2	\$657.2
Environmental Promotion and Protection	3.0	\$360.5	\$360.5
Commissioner's Office	1.0	\$75.2	\$75.2
Total 2011 Water & Wastewater New Staff Summary	16.0	\$1,530.6	\$1,178.5

Driving efficiency in resource requests by leveraging automation and relying on outsourcing



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Water & Wastewater Rates



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Approved Rate Increases

Scenario	Annual Rate Increase	Operating Surplus By	Eliminate Reserve Deficit By
Water 10% Option	- 10% in 2009 - 2011 - 5% in 2012 - 2013 - 2% thereafter	2011	N/A
Wastewater 10% Option	- 10% in 2009 - 2013 - 5% thereafter	2018	2023

Rate structure approved by Council in December 2008



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2011 Water & Wastewater Rates

	Water		Wastewater	
	2011 Amount (\$ 000's)	Rate (cents/m3)	2011 Amount (\$ 000's)	Rate (cents/m3)
EXPENDITURES				
Operating Expenditures	59,153.4		53,296.2	
Capital Related Expenditures	23,721.8		58,232.7	
TOTAL EXPENDITURES	82,875.2	65.5	111,528.9	89.8
TOTAL REVENUES	86,376.0	68.3	96,212.3	77.4
Contribution (to) / from Reserve - (Surplus) / Shortfall	(3,500.8)	(2.8)	15,316.6	12.4

Current 2011 wastewater rate would require an additional 16% increase to achieve full recovery of costs while the water rate is sufficient to cover expenditures



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Capital plan is a major driver in setting rates and rate increases

Capital Plan affects rate and rate increases through non-growth debt financing, asset replacement and operating cost for expanded asset base



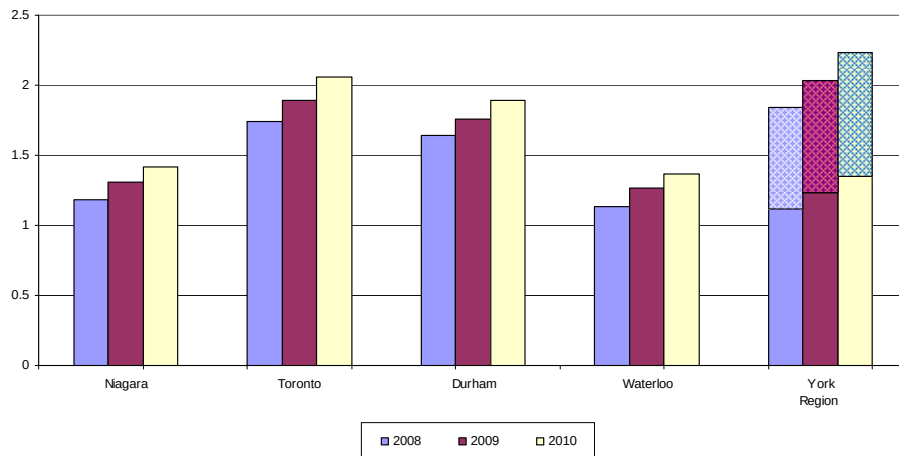
Revised rate recommendations to Council in Q2 2011



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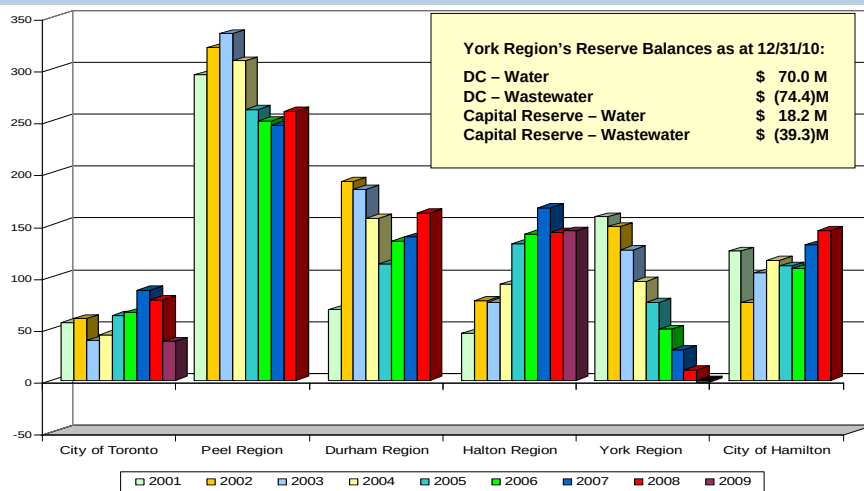
Water & Wastewater Municipal Rate Comparison



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Water & Wastewater Reserve Balances (per Capita Comparison)



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Waste Management Budget



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Waste Management Agenda

- ❑ Key Accomplishments
- ❑ Waste Management 10 year
Capital Plan
- ❑ Operating Budget



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2010 Key Accomplishments

- ❑ Minister of the Environment approved the Durham/York Environmental Assessment for residual waste management
- ❑ Incorporated majority of waste management facilities to the Environmental Management System (ISO 14001)
- ❑ Advocacy with Provincial Government on extended producer responsibility and new composting guidelines
- ❑ Secured additional source separated organics processing capacity (30,000 tonnes per year) at WeCare Organics in Massachusetts



2009 estimated Waste Diversion Ontario diversion rate of 57% puts York Region in top performing municipalities across Ontario



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Planned Initiatives 2011 & 2012

- ❑ Secure final approvals for Energy from Waste facility and move to construction phase in partnership with Durham
- ❑ Complete Region's first Integrated Waste Management Master Plan in partnership with the nine local municipalities and stakeholders
- ❑ Operation of a new Community Environmental Centre in Richmond Hill to increase accessibility to sustainable waste management options
- ❑ Securing reliable short and long-term source separated organics processing capacity
- ❑ Proactive contract management of highly outsourced business



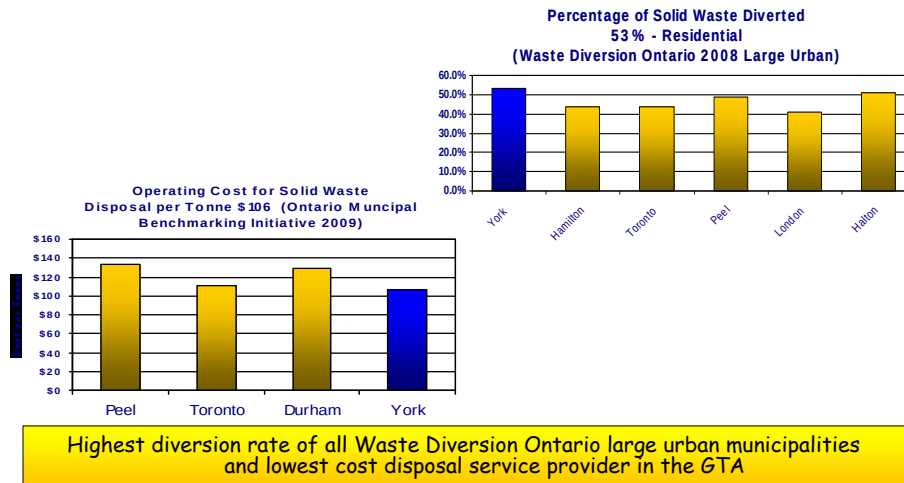
Focus on diversified waste management solutions to achieve Region's target



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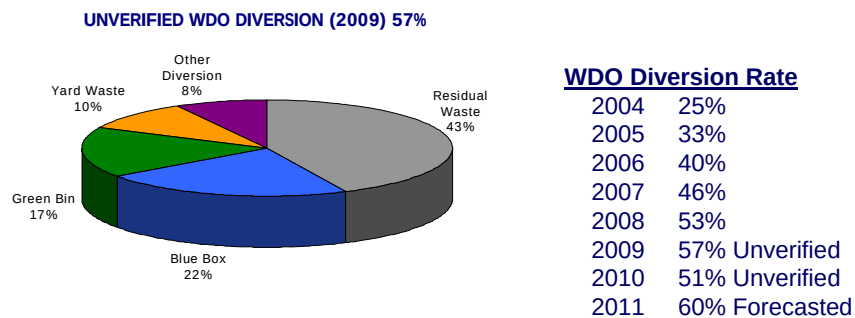
Benchmarks with other Municipalities Waste Management Operating



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Waste Diversion Ontario (WDO) Diversion Rates



While Source Separated Organics processing shutdowns affected 2010 diversion, York is still on track to rebound in 2011 to the 60% target



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Waste Management Capital Budget

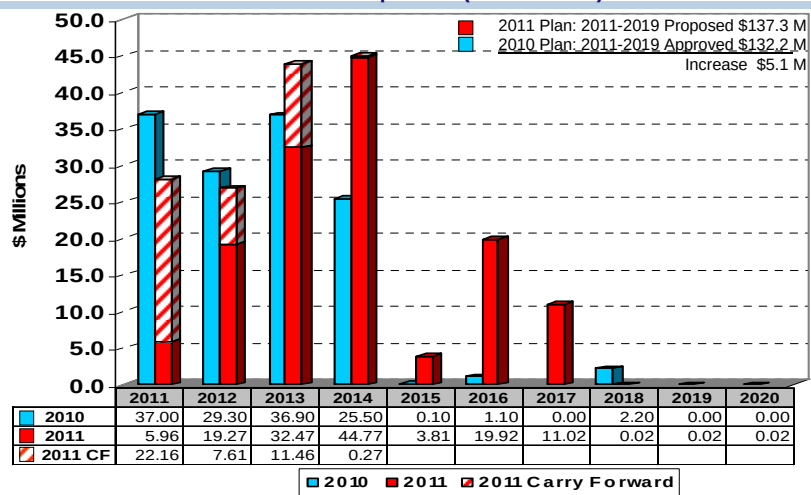


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2010 Plan Compared To 2011 Plan Waste Management

Gross Costs Comparison (2011 to 2019)

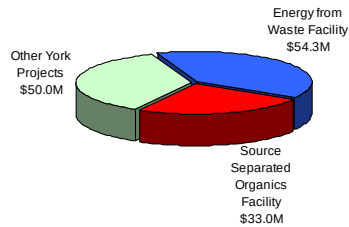


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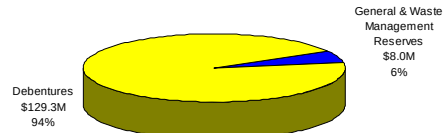
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2011 Waste Management 10 Year Capital Plan

**10 Year Capital Expenditures
\$137.3 Million**



**10 Year Capital Funding
\$137.3 Million**



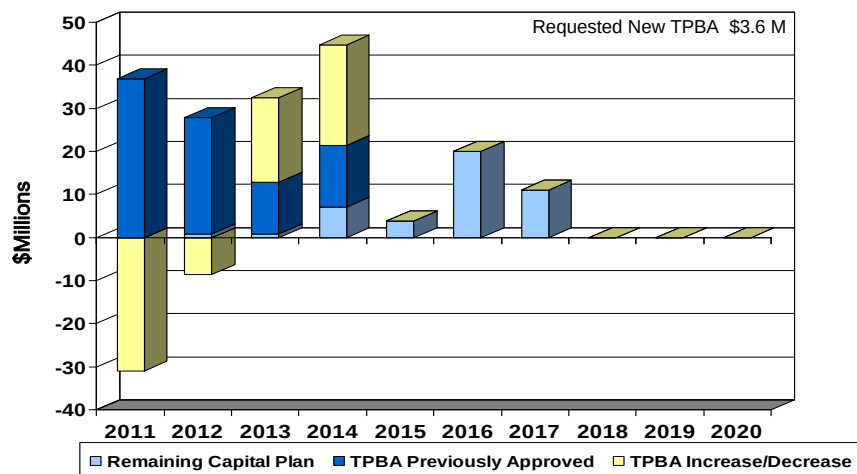
Building waste reserves through Blue Box revenue



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2011 Waste Management Ten Year Capital Plan and Total Project Budget Authority



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Waste Management Operating Budget



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2011/2012 Net Operating Budget Pressures Waste Management

	2011		2012	
	Amount	% Change	Amount	% Change
2010/2011 Net Operating Budget (Excluding Interdepartmental Allocations)	\$39.2 M		\$39.7 M	
Enhancements	\$0.0 M	0.0%	\$0.4 M	0.9%
Growth	\$0.8 M	2.0%	\$0.8 M	1.9%
Annualization	\$0.1 M	0.2%	\$1.3 M	3.2%
Mandatory/Legislative	\$0.0 M	0.0%	\$0.0 M	0.0%
Reductions/Efficiencies	(\$2.5) M	(6.5%)	\$0.0 M	0.0%
Base	<u>\$2.2 M</u>	<u>5.6%</u>	<u>\$0.9 M</u>	<u>2.2%</u>
	\$39.7 M	1.3%	\$43.0 M	8.2%

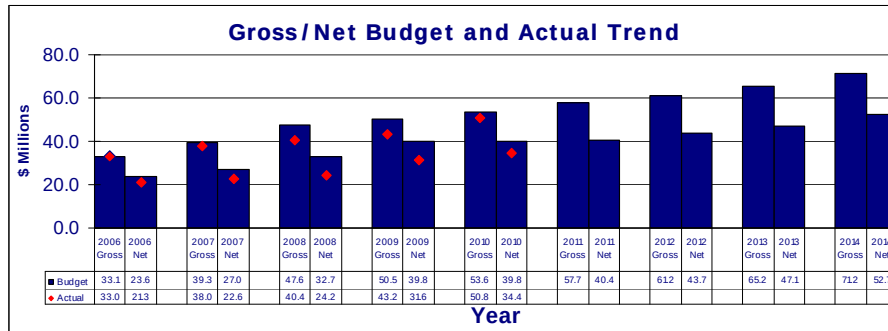
Anticipated increase in Blue Box revenue of \$2.3M will be contributed to the Waste Management Reserve



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Waste Management Operating Budget Trend



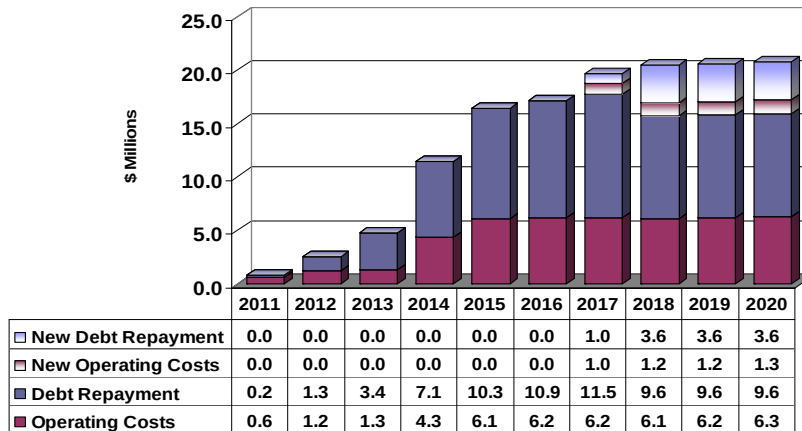
Blue Box revenues reduce annual Waste Management operating costs



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Net Operating Impact of Capital – Tax Levy



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2011 Waste Management Program Costs

Cost Per Tonne Summary

2011 Budget

	MT	Budget	\$/MT
Residual Waste (with blue box residue)	130,437	\$ 15,033,967	\$ 115
Net Blue Box (net of market revenue)	91,479	\$ 6,341,241	\$ 69
Yard Waste	32,036	\$ 2,202,500	\$ 69
Asian Longhorned Beetle Yard Waste	6,114	\$ 518,867	\$ 85
Waste Electrical and Electronic Equipment / Municipal			
Hazardous or Special Waste	3,150	\$ 145,995	\$ 46
Source Separated Organics	92,194	\$ 16,434,700	\$ 178
Other	6,652	\$ 1,528,013	\$ 230

Cost Per Tonne (Weighted)

\$117

Extended Producer Responsibility Programs established Waste Electrical and Electronic Equipment (WEEE) and Municipal Hazardous or Special Waste (MHSW) Programs and tires help reduce Regions Waste Management cost for these materials



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2011 Waste Management New FTE's

Position	FTE's	Gross (000's)	Net (000's)
Senior Program Analyst	1.0	\$111.1	\$111.1
Public Depot Coordinator	1.0	\$93.3	\$93.3
Total 2011 Waste Management New Staff Summary	2.0	\$204.4	\$204.4

Good return on investment for key resources in Waste Management to manage additional Community Environmental Centre and drive programs to achieve diversion



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Environmental Services 2011 & Beyond



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Challenges 2011 & Beyond

- ❑ Operating and maintaining an increasing and more complex asset base
- ❑ Maintaining compliance leadership
- ❑ Increased pressure on rates and reserves
- ❑ Funding the capital program
- ❑ Aging infrastructure
- ❑ Maintaining current levels of service
- ❑ Challenges in transformation from suburban/rural communities to large urban centres

Realizing operational excellence today while investing for growth tomorrow



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2012 Outlook

	Gross Operating Expenditures (\$000s)		% Change	2012 New FTEs
	2011 Request	2012 Outlook		
Water & Wastewater	\$ 345,372	\$ 386,678	12.0 %	17

Unbudgeted 2011 Pressures:

- ❑ Growth in operating resources to meet gaps identified in Operations Business Improvement Plan
- ❑ Resources required to comply with emerging legislation and regulations

84% of 2012 gross expenditure increase is driven by debt financing costs



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2012 Outlook

	Net Operating Expenditures (\$000s)		% Change	2012 New FTEs
	2011 Request	2012 Outlook		
Waste Management	\$ 40,368	\$ 43,653	8.1 %	0

Unbudgeted 2011 Pressures:

- ❑ Resource requirements to be redefined through Long-term Integrated Waste Master Plan
- ❑ Dedicated resources to drive Energy from Waste and Source Separated Organics inter-municipal servicing agreements

34% of 2012 net expenditure increase is driven by debt financing costs



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Mitigating Budget Impacts in Environmental Services

- ❑ Revisited 10 year capital plan to smooth capital spending while still delivering required service capacity
- ❑ Extend term of debt for key projects including Southeast Collector
- ❑ Leverage automation to optimize labour requirements
- ❑ Use outsourcing for specialized, fixed duration services
- ❑ Increased blue box revenue contribution to Solid Waste reserves to reduce future reliance on debt financing
- ❑ Driving energy management program to realize energy management savings
- ❑ Enhanced Long-term Water Conservation and Inflow & Infiltration Strategies to defer capital

Focus on reducing costs, increasing revenue and optimizing business processes



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Next Steps

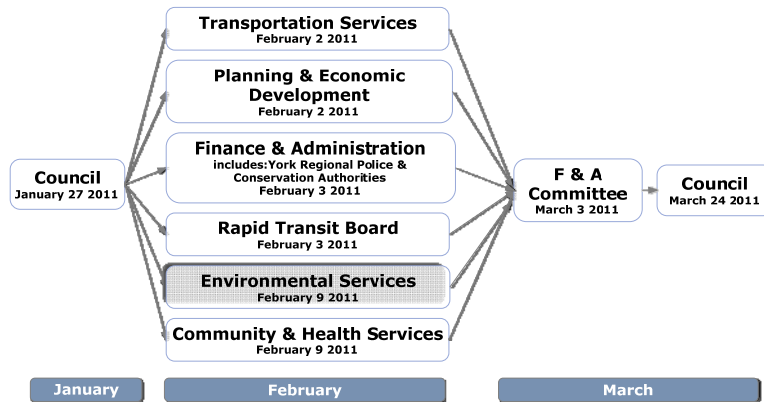
- ❑ Recommend the 2011 Draft Business Plan and Budget presentation be received
- ❑ Forward recommendations pertaining to Capital and Operating Budgets to Finance & Administration Committee on March 3rd, 2011



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COUNCIL BUDGET PROCESS



Thank you